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ABSTRACT

The advent of the Job Training Partnership Act (JTPA) has not been favorable to community-based organizations (CBOs) serving unemployed young people. The overall decline in the amount of money available for employment training is one reason for the reduction in services, but it is not the sole reason. The transition to the new act itself is also part of the problem, although recent studies seem to indicate no inherent problems in the design of JTPA. This paper presents the problem as, chiefly, a problem of direction, interpretation, and education, and suggests that the crux of the problem lies with the U.S. Department of Labor's Employment and Training Administration (ETA). ETA, it is claimed, has abdicated its leadership role in directing how the states will implement the provisions of JTPA. The regulations it creates are sparse and parrot the act itself. Technical assistance and ETA staff have been radically reduced. However, despite the position of ETA, the states need and want additional direction. JTPA has resulted in new staff and Private Industry Council members at both the state and local level. Although these persons do not carry the mistakes of the past, they also lack the experience gained in the past. Without leadership at the Federal level, each state will create its own interpretation of JTPA in local programs. Congress should insist that ETA fulfill its responsibilities. If it does not, CBOs will have to educate and lobby with the State Job Training Council and each local PIC. Coalition building and cooperation with other service providers will be needed. Without such advocacy, disadvantaged young people will be the last served, if they are served at all. (KC)

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# COMMUNITY BASED ORGANIZATIONS

## The Challenges of the Job Training Partnership Act

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Introduction

"The needs of disadvantaged youth have scarcely been addressed. We are holding on to a tattered remnant of a program, hoping our service delivery area (SDA) will come up with a consistent policy sometime soon."

So reported a youth service agency in the mid-west. Although officials of the Department of Labor recently characterized it differently before Congress, initial implementation of the Job Training Partnership Act has created substantial and often disruptive change for community-based organizations (CBOs) dedicated to serving unemployed youngsters.

Defining the term "community-based organization" is difficult. They are best characterized by what they do. The chief mission of a CBO is usually to reach out to and serve an unserved population. Most are neighborhood-based and depend upon neighborhood leadership for board membership, advisory committees, and volunteers. Even those affiliated with national organizations such as OIC, Urban League, National Puerto Rican Forum, National Council of La Raza, and 70001 Ltd. rely on local direction and outreach as a key to successfully reaching unserved young people.

The hallmark of the CBOs has been a willingness to reach out when those in need would not or could not approach traditional service providers. They are spokespeople for the unheard and advocates for the unpopular cause. Today, CBOs are engaged in civil rights work, legal services, health services for the poor, prison reform, welfare rights and, like the member agencies of the National Youth Employment Coalition, training services for disadvantaged youth.

CBOs have often been judged by the company or, if you will, the clients, they keep. When they serve the poor and disadvantaged, they are viewed as poor and disadvantaged themselves. When they serve the criminally involved, they are often considered less than fully trustworthy. When they advocate for services to the unemployed, they are seen as unconcerned about the problems of the employed.

These misconceptions are unfounded. Without the hundreds of CBOs created since the early 1960's and before, thousands of people in need would have gone unserved, greater burden would have been placed on already over-taxed government services and, most importantly, many lives would not have taken a more fulfilled and productive direction.

The Job Training Partnership Act (JTPA) and the Comprehensive Employment Training Act (CETA) that proceeded it, recognized the special role of CBOs and encouraged local decisionmakers to grant them special consideration. But the world in which these nonprofit service providers must operate is changing. How the federal government, corporate and charitable givers, and the management of CBO's themselves respond to the changes will ultimately determine the extent to which young people, our richest national resource, will have the opportunity to work in a productive capacity.

The effect of these changes on services to unemployed young people is the subject of this paper. I discuss the special role played by CBOs in providing employment training services to youth, reviewing both the problems CBOs face generally and the new challenges that have arisen with the advent of the Job Training Partnership Act. I also consider the response necessary to meet those challenges, as well as the action that is needed from all involved in implementing JTPA.

The paper is the result of the effort of many people. The National Youth Employment Coalition (NYEC) conducted a survey of over 1000 agencies of all sizes and received a response from 314 (31%). Many staff members of the Coalition's agencies have reviewed and commented on earlier drafts. I have also incorporated my own experience as the operator of 60 youth employment programs in 17 states and as a member of a private industry council. A recently completed paper by Grinker,

Walker and Associates[1] for the Independent Sector was very helpful, as was a Greater New York Fund/United Way report[2] on "The Impact of Federal Cutbacks on United Way Agencies in New York City."

Special thanks are also extended to Dr. Larry Bailis, who compiled the NYEC survey results; Mary DeGonia, 70001; Fred Jungman, Jobs for Youth; Milton Little and Chris Niccolls, Interface; Jim Reed, National Urban League; Lori Strumpf, National Association of Private Industry Councils; Mike Bailin, Public/Private Ventures; and Alan Zuckerman. All contributed to this paper with submissions, comments, and valuable critique.

Most importantly, thanks to Gordon Berlin of the Ford Foundation who encouraged the Coalition to pursue this project.

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1 The Independent Sector Assessment of the Job Training Partnership Act, Phase One: The Initial Transition. Grinker/Walker & Associates, 1984.

2 The Impact of Federal Cutbacks on United Way Agencies in New York City, The Greater New York Fund/United Way. 1983.

THE SPECIAL ROLE OF COMMUNITY-BASED ORGANIZATIONS

According to a recent report[3] by Grinker, Walker and Associates analyzing the first two months of JTPA implementation:

> "Involvement of other local institutions in JTPA indicated a movement away from the use of nonprofit, community-based organizations toward local colleges and small businesses. The involvement of community organizations in policymaking and service delivery had been decreasing since 1981, and under JTPA was decreasing further."

Similar findings were reported in the survey conducted by the National Youth Employment Coalition. The responses from 314 organizations in 45 states indicated that under CETA, more than 50 percent of the organizations had been represented on prime sponsor advisory councils, but under JTPA this had declined to less than a third. Furthermore, more than 85 percent had applied for and received CETA funding, but only 65 percent had applied for JTPA funding.

An agency in Southern New Hampshire reported:

> "CBOs have not been encouraged to apply. They have been told that all training is to be classroom, no support services are being provided, and private industry's needs are the priority, not the clients'."

A similar story was heard from a nationally affiliated agency in Florida:

> "The local JTPA organizational structure that is currently in place and the JTPA request for proposals which reinforces that structure, virtually eliminates small CBOs having the opportunity to participate."

If one agrees, as would most members of the National Youth Employment Coalition, that CBOs have been clearly successful in reaching out to and serving traditionally unserved populations, then these comments reflect a frightening shift in the impact of federal manpower policy.

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[3]The report examines a sample of 57 service delivery areas (SDAs) as well as states.

The President's Task Force on Private Sector Initiatives has encouraged the use and promotion of neighborhood mediating structures to best serve the needs of neighborhood residents and to best capitalize on volunteers. Traditionally, CBOs have been the most successful agencies in reaching and recruiting disadvantaged clients. They are based in neighborhoods, often involve clients in the direction of the agency, and hire staff who can capture the trust of young people. CBOs are generally very cost efficient, sometimes to a fault, and know that flexibility and innovation are keys to engaging young people who have grown wary of traditional community institutions. All of these characteristics are reflected in a high level of staff commitment and motivation. Yet initial trends under JTPA seem to indicate that the special skills of CBOs might go unused in many areas. Grinker and Walker observed that:

> "Local government staff were particularly concerned that youth, especially dropouts, would not enter JTPA at the mandated rates without special outreach and programmatic efforts, given the Act's denial of stipends and limitations on the use of work experience."[4]

Many CBOs were created during and after the initiation of the Economic Opportunity Act of 1964. In fact, almost two-thirds of the respondents to the NYEC survey were founded after that time. As a result, most are heavily dependent upon government funding. A survey conducted last year for the Greater New York Fund/ United Way found that over half the income in 1983 for the 184 agencies surveyed came from government sources.[5]

The result of this dependence on government support is twofold. First, it creates an unfortunate complacency that tends to diminish efforts to develop other funding sources. Second, and perhaps more unfortunately, it means that the nature of the agency's programs, clients and policies is very sensitive to the

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[4] Grinker/Walker, p.5.
[5] The Impact of Federal Cutbacks, p.6.

changing focus of government policy. A host of clients might be abandoned if the source of government funds suddenly decides that spending policy must take a new direction.

The New York report indicates, as does the NYEC survey, that CBOs are being shaken out of their complacency and looking to new sources of financial support. Some are even introducing or raising client fees, but such a move runs directly counter to serving those most in need. In the case of youth employment training programs, fees would be counterproductive.

Some CBOs have sought corporate and individual contributions, but they face stiff competition from traditional agencies which serve clients who are more "acceptable" to charitable givers. This problem is best typified by CBOs that approach United Way programs. Except in the most progressive United Way jurisdictions, nontraditional agencies rarely are certified as eligible United Way applicants. The situation is further exacerbated by the fact that many United Ways have avoided funding employment programs because of the perceived largess of government funding directed to the problem during CETA.

The bottom line is that CBOs have traditionally been dependent upon government funding, are not in a strong position or experienced in competing for private funds, and are receiving declining support under JTPA.

Many worrisome questions arise. Are the agencies that have so successfully served alienated and disenfranchised young people to be disenfranchised themselves? If so, what is to become of their clients now and as they grow to adulthood? Like so many problems this nation has faced, are we destined to ignore the problem until it creates the social and economic crisis that forces a hasty response conceived in panic.

Rarely do CBOs have interests beyond the needs of the people they serve. Can the same be said of community colleges, vocational schools, or private industry? As CBOs decline, and perhaps disappear, are we going to forget that some of the

most vital services provided in the community today began as small community-based, grassroot efforts? Consider the YMCA, Children's Protective Service, Alcoholics Anonymous, or Comprehensive Mental Health Centers.

The problem of unemployed young people is not a cyclical one. It will not abate with a rising economy or the declining size of our youth population. The need will persist, and may only grow more problemmatic as an improved economy comes closer in view, while its benefits recede further from reach. A stable service structure that capitalizes on the skills of CBOs nationwide is as vital a public service as education, recreation, or community mental health.

## THE MANAGEMENT CHALLENGES FACED BY CBOs

The management and operation of a nonprofit, community-based organization is always a challenge made only more so when the agency is engaged in training unemployed youth.

We have already discussed the policy constraints that come with dependence on government funding. Added to this is the burdensome and often senseless bureaucracy that accompanies the solicitation, receipt and expenditure of such funds. The most debilitating aspect of such dependence is that almost all government financing must be renewed annually. Such year-to-year funding makes long-range planning impossible. It frustrates or prevents quality staff training and puts staff morale on a twelve-month rollercoaster. Even the most seasoned veteran of work in CBOs will rarely confess belief that she or he has chosen an occupation that offers a career. How then can we keep anyone but the young and the idealistic working in CBOs?

Management of finances once support is secured presents additional challenges. At best, cash is not received until 8-10 weeks after an expenditure is incurred, resulting in constant cash flow problems. Nonprofits by their nature cannot sell

stocks or bonds to raise cash and are usually restricted in their ability to borrow for operating purposes. As a result, staff are slow to be paid and vendors reluctant to extend credit for day-to-day purchases. If the agency is fortunate enough to have one or more contracts that do have healthy cash flow, the resulting income is usually spread across the entire agency, diluting the purpose for which it is intended. Finally, there is the unfortunate, but often used, strategy of using withheld income and social security taxes to finance cash flow. Not an easy way to run a business.

The day-to-day problems that result from poor cash flow overshadow but do not diminish other problems such as effective planning of capital expenditures. When CBOs do plan for capital outlay, it usually takes the form of a "wish list" that gets pulled out when and if cash is available or a crisis arises. CBOs too often go without needed equipment or fail to exploit the cost-effectiveness of purchasing rather than leasing because cash and credit are unavailable.

Some of the most dynamic and effective innovations in employment training are in the use of computer-managed instruction and computer-assisted learning. In the past, CBOs may have been able to operate with cast-off couches and second-hand typewriters, but they cannot be effective in the future unless they can benefit from the advantages of new technology. Acquiring such technology requires the ability to purchase on a planned basis.

This all affects the popular image of CBOs. Sure, they are often found in storefronts, old houses, or second-story walkups. And, they do serve clients and causes that are less than popular in the eyes of most community residents. But community problems won't go away if the organizations go away. Quite to the contrary.

Despite their neighborhood location and the characteristics of their clients, most CBOs are very well managed. Their productivity is evident in the level of service they deliver, often with few resources. For example, the NYEC survey found

that among agencies created after 1964, overall budgets in 1983 averaged 5 percent lower than they were under the last year of CETA, and agency budgets for employment training were 46 percent lower. Yet the number of staff devoted to training disadvantaged youth had declined by only 4 percent. We must ask, however, how far resources can be stretched before quality is compromised.

Finally, the community must understand that CBOs operate in an overtly political environment, perhaps even more so than other community institutions. Government funding, while represented as being based on merit, is usually enmeshed in local, state, and national politics. It is not a fact to lament, but one to understand and address. Unfortunately, the clientele of CBOs rarely vote as a block if they vote at all. Consequently, they cannot directly command political attention. Similarly, the same situation is manifest in competition for United Way, corporate and other philanthropic dollars. Unemployed youth do not represent a need as grave as health services to the elderly, they do not offer the attraction to a company's management that a municipal symphony might, and they do not appeal to a broad community interest as do the Red Cross or Heart Association.

So why then are CBOs often seen as being ill-managed, nonproductive and growing fat at the government trough? Like most misconceptions, these are founded on misunderstanding. Until community leaders, particularly business people, get involved and learn about the CBOs in their communities, the misconceptions will persist. The first step, however, lies with the CBOs themselves which must open up their operations and invite the decisionmakers in, even at the risk of criticism and change.

## THE CHALLENGES PRESENTED BY THE JOB TRAINING PARTNERSHIP ACT

### Relationships with Private Industry Councils

The NYEC survey found that only one-third of the responding CBOs were represented on Private Industry Councils, and an agency in Southern California reported:

"The focus in (this city) has changed to where contracts are let mainly to private employers. We used to get a lot of information on CETA, however, I know nothing about JTPA."

The advent of JTPA seems to have meant an assault on the participation of CBOs in the system, most evident in the large-scale changes in the membership of PICs. New membership means that time is needed for an education process and that new priorities are being brought to the decisionmaking process. The delay in orienting new members was devastating for CBOs, particularly those focused exclusively on employment training and, therefore, very dependent upon a smooth transition from CETA to JTPA.

The Grinker/Walker study found:

"The PICs...had very different membership from the precursor Title VII PICs — 75 percent of the members were new, and orientation took time."[6]

"...in 40 percent of the sample SDAs, there were no operating programs as of October 1; those SDAs where there were programs in operation had basically extended 1983 CETA programs."[7]

Because of the delay in orienting new PIC members and their uncertainty about roles and responsibilities, PICs were slow to make crucial decisions regarding programmatic focus, target groups, and allocation of funds. That delay in program start-up meant the severe disruption or demise of many CBOs.

The new membership of PICs, primarily representative of private industry, has slowed information flow and brought a new set of attitudes and expectations to the bargaining table. Few CBOs will decry private sector participation in the JTPA process, for it is clear that the best hope for disadvantaged youth lies in private employment. However, the NYEC is concerned about how the new frame of reference

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[6] Grinker/Walker, p.4.
[7] Grinker/Walker, p.2.

brought by these new members will affect the participation of CBOs. Witness the experience of two CBOs, one in California, the other in New Hampshire:

> "CBOs have not been encouraged to apply. They have been told that all training is to be classroom, no support services are being provided, and private industry's needs are the priority, not the clients'."
>
> "The PIC had decided that the Job Service is the 'logical' agency to do intake. They can't — few youth are being serviced."
>
> "The PIC is not funding non-profits here. Private Industry only."

Perhaps we can take hope from the experience of a CBO in Pennsylvania:

> "We were told by the PIC that non-profits were not going to be funded under this program (JTPA). Now they are begging for applicants."

The JTPA Bureaucracy

Perhaps the greatest disappointment of JTPA to date has been the failure of PICs to fully execute the two-year forward funding provisions of the Act. Although it will not get a full test until July 1985, there is no evidence to show that any SDAs are seriously considering anything but year-to-year funding. The drafters and advocates of the forward funding provision of JTPA hoped that it would bring a measure of stability to employment programs, but it remains unrealized.

Both the start-up delays and the failure to fully exploit the advantage of forward funding have perpetuated restrictive timeframes for response to requests for proposals (RFPs) issued by SDAs, and the shift of the beginning of the program year from October 1 to July 1 has not helped. Ironically, it may have made matters worse, since SDAs must now plan both the full program year and the summer youth employment program on the same schedule.

JTPA permits PICs to designate a single agency to administer JTPA, often with the result that the designated agency also becomes the sole service provider.

Rarely does such a result benefit CBOs. Uninitiated PIC members are most likely to rely on traditional community institutions or existing governmental structures for such designations. Often the result is exclusion of CBOs or reliance on the system just as it existed in CETA.

In Florida a local Urban League reported:

> "The RFP required that organizations that applied for funds submit an application that proposed to provide all the activities for each component of the entire JTPA delivery system. Large local organizations, like the Florida State Employment Service and Board of Public Instruction, were already providing the major services under CETA. Our affiliate would have had to compete with these organizations which already had service structures in place. Under CETA, we had provided pre-employment orientation and job search skills training for all participants entering and leaving the delivery system. The JTPA request for proposals precluded submitting an application to provide these type supportive services for the delivery system. Instead, they were to be included as one segment of the proposal to provide entire components of service."

In an Iowa city, a community action agency lost its youth employment program for high school dropouts to a community college that, once designated the single administrative agency, opted also to be the sole service provider. Thus, a program with a 90 percent placement rate, 80 percent retention rate, 60 percent GED completion rate, and five years of experience, closed its doors. How likely is it that disadvantaged high school dropouts will approach a community college for services?

The Panacea of Performance-Based Contracts

Performance-based contracts have been hailed as a panacea for ills ranging from ineffective programs to limitations on administrative overhead. They may well be a helpful change, but they cannot be used without a clear understanding of their limitations. Paying only for performance has immense attraction for private sector PIC members, particularly those concerned about ensuring cost-effective expenditure

of government funds. But evaluating all employment training on a performance basis requires that services be reduced to well-defined commodities. Such narrow definitions can either exclude those most in need of service or create pressure to select clients most able to meet performance criteria. Respondents to the NYEC survey indicate that, above all, performance contracts place too great an emphasis on delivery and too little on quality.

For CBOs, performance contracts are a mixed blessing. On the one hand, they offer greater flexibility with expenditures as well as the potential to accrue a modest operating surplus. On the other, they can cause immense cash flow problems, create pressure to serve the easiest-to-serve clients, and expose the CBO to irrecoverable financial loss.

It is important to distinguish between unit-priced contracts and performance-based contracts as these terms are used in reference to JTPA. The former are always performance-based and require that all training be occupationally specific. General performance-based contracts, however, may be used for any type of service allowed under the Act. What distinguishes a unit-priced contract is that payment is made only upon delivery of a specified unit of performance. General performance-based contracts merely make performance objectives a contract contingency that may or may not affect payment. For example, a contractor operating under a general performance-based contract might be paid on a cost-reimbursement basis but have bonus payments or annual renewal dependent upon exceeding specified performance levels.

The experience of NYEC member agencies indicates that unit-priced contracts are the most widely favored type of performance contract being used by SDAs. This is principally because such contracts are classified totally in the training category and do not expend scarce administrative funds. However, the training must

be occupationally specific in accordance with the Department of Labor's regulations.

That small phrase propounded by DOL, but not found in JTPA itself, has caused numerous problems for CBOs that concentrate on serving disadvantaged youth. Because the training must be occupationally specific, the only legitimate outcome of a program under such a unit-priced contract is placement. No payment is made for increasing a young person's educational or employment-related competencies and, even when a placement is made, payment may be withheld if the job is different from the kind of job for which the youth was trained.

With the creation of a system so driven by placements, there is immense pressure to serve the easiest-to-serve clients and to de-emphasize the training aspects for those who are served. A program for Hispanic youth on the West Coast reported:

> "Our program provides remedial education, ESL (English as a Second Language), and job placement. In the past, approximately 50 percent of our participants would transfer into skills training upon either receiving their GED or learning English. Under JTPA, our program is performance-based, and the only performance that is considered is placement. Therefore, we only receive funds for placing our participants into jobs. Less emphasis can be placed on the preparation that is necessary to ensure young people will be successful in keeping the job."

Furthermore, to expect that the training of youth can be easily assigned to occupationally specific categories borders on the absurd. With scant employment histories, disadvantaged youth are rarely qualified for even general entry-level occupations. It is unreasonable to expect that a CBO can train youth for specific jobs at specific wage levels.

Unfortunately, few PICs have yet to establish performance standards which recognize increases in employment-related competencies as a legitimate outcome of JTPA training. For youth, such positive outcomes are arguably more beneficial in both the long and short-term than is placement on a job. As a program director in Virginia expressed it:

"Performance-based contracting for youth has not been beneficial to those served. Youth (employment) competencies should become the major thrust of JTPA. In doing so, other tangible improvements in the quality of one's personal and vocational aspirations would become a longer-lasting and more positive result of employment training."

One should not view the CBO's criticism of placement-driven performance as a criticism of performance contracting in general. Quite to the contrary, most CBOs welcome the opportunity to document the achievements they make in training young people. Concern centers on being sure that the performance criteria be designed to produce the best possible benefit to young people. Presumably, we want to accomplish more than just a body count of how many youth got how many jobs. We want to know how many youth are better prepared to enter the workplace with skills that will serve them and their employers well both now and in the future. Some efforts are now underway on Capitol Hill to alter the JTPA regulations in order to specifically recognize that unit-priced contracts are allowable whenever a youth program achieves any of the positive performance indicators specified in the Act (Section 106(b)(2)).

However, once greater flexibility is established for unit-priced contracts in youth programs, a second major problem must be addressed: cash flow. Half of the agencies responding to the NYEC survey reported that cash flow was currently a problem. Among 13 potential problems that could arise under JTPA, problems with cash flow were outranked only by limits on administrative money and the elimination of stipends. In some cases, cash flow problems incumbent in the acceptance of performance-based contracts prevented CBOs from continuing to contract with SDAs.

CBOs, like most public institutions, have neither the credit nor the collateral to borrow sums of money sufficient to finance program operations pending completion of performance and receipt of payment from the SDAs. Where payment is made only upon placement, a CBO might not receive cash for 8-12 weeks after expenditures are initially incurred. In the case of a new program just beginning,

it could be 20-24 weeks before cash is received. One program in Central Virginia reported that more than $150,000 in expense was incurred before the first participant was qualified as "billable." How many CBOs have that much cash on hand or can borrow as much to finance a program? Even where payments are made for incremental performance levels such as enrollment, completion of training, etc., significant outlays of cash are made before payment.

This is not a problem restricted to CBOs. Schools, community colleges, and other public institutions face a similar problem. In fact, many may be legally prevented from entering such contracts. The resulting danger is that public and nonprofit institutions may be frozen out of the system and only well-financed profit-making companies will compete.

Further, when a CBO does accept such a contract, the pressure to serve the easiest-to-serve is great. When the agencies' financial future relies on successfully making job placements, particularly if job retention is also a performance criterion, then youth who are most job-ready will be favored.

As an educational collaborative in Massachusetts put it:

> "The population of youth we serve has also changed.... Because of the raised performance standards and the lack of support services, we must enroll youth who are more able to immediately work and achieve in an educational setting."

and from a skills center in Delaware:

> "We have become more rigid in our intake process. We are taking fewer participants into the program and we are having to take students with higher test scores."

The pressure to keep cash moving may also result in a youngster being placed too quickly or placed in the first available job rather than one more suited to her aspirations and skills.

Another problem arises when PICs issue performance contracts and also act as a service deliverer. They can end up competing with their own contractors to the detriment of the latter. For example, if the PIC has retained responsibility to make on-the-job training (OJT) placements, it competes with other service providers for the attention of private employers and for placements. If the PIC also controls the intake process, they may, knowingly or not, refer the best potential clients to OJT slots, leaving the CBO to receive the less skilled clients. The intake process presents another problem with performance contracts whenever the contractor must rely on another source for intake and certification. They can fall behind on performance and into deep cash flow binds not for a failure to perform, but because the agency responsible for intake has failed to refer sufficient numbers of eligible participants. PICs should look carefully at the inherent conflict between being a contractor and a competitor with CBOs. As everyone gains further experience with performance contracts, interesting legal questions may also arise when a PIC's own services frustrate a contractor's ability to perform.

Limitations on Administrative Overhead

Fifty-six percent of the respondents to the NYEC survey indicated that the JTPA limitation on administrative expenditures was a problem, and 24 percent named it as the single greatest problem. The Act limits administrative expenditures to 15 percent of total revenue and specifies many of the items that fall into the category. The actual figure, however, is rarely that high by the time funds have passed from the federal government to the states, SDAs, and contractors. Contractors most often are limited to administrative costs not exceeding 6-8 percent, and some SDAs have made it as low as 5 percent.

Compounding the problems is the often restrictive interpretation SDAs will place on how an item will be categorized. Despite many examples cited in the regulations, if a question arises about whether an item should fall in the administrative category, an SDA will often err in the direction of deciding it does. This is caused primarily by the strong provisions regarding SDA liability for misexpenditures. Concern about such liability has resulted in extremely conservative contracting policies.

The limitation results in a "penny-wise but pound foolish" policy. Efforts to direct as much money as possible to client training are justified, but the way the Act has mandated it results in administrative inefficiencies that dilute the impact of training funds. For many years, CBOs have been criticized as being unprofessional, fiscally irresponsible, and poorly managed. Few members of the NYEC would fully accept those criticisms. The JTPA administrative cost limitations, however, make it virtually impossible to effectively manage and monitor a JTPA contract. In some cases, it even prevents CBOs from competing for the contracts.

Competition from the Private Sector

The executive director of a highly respected national network of community-based organizations made a startling comment:

> "When (our organization) applies to a local SDA, the competition isn't other CBOs, schools, or community colleges. It is Control Data, Singer, RCA, Teledyne and other large profit-making companies."

More than ever before, the work of CBOs is being replaced by that of profit-making companies that recognize the income potential of delivering human services.

These companies and even the Small Business Administration[7] would argue that non-profit CBOs have an economic advantage in the competition because they have no tax burden. There are other considerations, however, which place the profitmakers at a great advantage and threaten the future of many CBOs.

Foremost is the previously discussed cash flow issue. Cash and credit are much less a problem for a Control Data Corporation or RCA. Secondly, competing companies have a research, development, and marketing capacity that dwarfs most CBOs. Third, most companies can comfortably capitalize major equipment purchases, thereby cutting annual program costs. CBOs, because of their year-to-year funding status, must either fully expense or lease the same equipment at higher annual costs. Finally, there is the logical predisposition that PIC members will have for their fellow businesspeople.

The entry of profit-making companies more fully into the field of employment training is to be welcomed because it brings new resource and expertise to bear on a major national problem. However, this should not eclipse the wealth of experience and expertise manifest in the nation's CBOs.

Wage Minimums for Youth

With the exception of using the federal minimum wage (or state minimum wage where higher) as a standard, it is counterproductive to require CBOs and other contractors to place youth only at specified wage levels.

Of the 4,000 youth served by 70001 Ltd. each year, fewer than one-third have held a job for more than three months and another third have never held a job at all. The goal, therefore, is to put them to work, period. What the job is and how

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[7] Unfair Competition by Non-profit Organizations with Small Business: An Issue for the 1980's, U.S. Small Business Administration, Office of Advocacy, Washington, D.C., 1983.

much it pays is important but secondary. Getting the job, acquiring the experience, and developing the maturity that comes with it is tantamount. Little is served if an SDA requires that placement be made only at a specified hourly wage that is unrealistically high. In fact, such a requirement will prevent many youth from working.

The NYEC does not espouse low-paying jobs or careers in "fast-food" establishments. However, minimum wage jobs, whether at a McDonald's restaurant or on a housekeeping crew, are valuable learning experiences and should not be avoided. They may be the only first job available to many disadvantaged youth, and CBOs will be hampered in their efforts to serve them if they are mandated to place youth at wages higher than the federal minimum.

RECOMMENDATIONS

Offered below are recommendations for action by the various partners seeking to make JTPA effective. Some can be accomplished quickly. Others will take time. All can significantly improve JTPA's benefits for unemployed young people.

FOR CBOs:

- CBOs should undertake a concerted, well-planned public relations campaign with local Private Industry Councils. Misconceptions result from misinformation. It is the obligation of CBOs to educate PIC members about the needs of local young people and the skills of community agencies.

- Individual CBO's and local coalitions should offer to provide training sessions for PIC staff and members about the characteristics and special needs

of disadvantaged youth. Do it pro bono if necessary. If the entire PIC can't be involved, reach the planning, youth, and proposal review committees.

- When accepting performance-based contracts, CBOs should negotiate all provisions very carefully. It should never be presumed that they are standard contracts that must be accepted as is. Contingencies should be included for failure of an independent intake source to make sufficient referrals, interference with performance by SDA-run services, etc.

- In order to facilitate both the use of new equipment by CBOs and to equalize a CBO's position with that of profit-making competitors, CBO's should encourage PICs to permit annual capitalization of equipment costs with a PIC "buyout" provision, should the contract not continue for the useful life of the item.

- CBOs should take advantage of the JTPA requirement that employment-related competencies for youth be developed locally and should work expeditiously with local business people to develop and implement them.

- CBOs should encourage the acceptance of increased employment competencies as a legitimate outcome of JTPA youth programs, but never fail to balance such goals with placement goals. Wherever possible, the CBOs should strive to exceed the number of planned placements. Failure to do so will only make our work suspected in the eyes of business participants of the PICs.

- All youth programs should balance training and placement goals with equal emphasis on client follow-up after placement to ensure job retention.

FOR THE DEPARTMENT OF LABOR:

- The Department must take a more active role in defining the purpose and philosophy of JTPA. While local discretion is a laudatory goal, the federal regulations are woefully inadequate in conveying the rich possibilities offered by JTPA.

- DOL must play a greater role in developing, directing, and financing program-related technical assistance to states and SDAs.

- DOL should eliminate the regulatory requirement that unit-priced contracts may be employed only for occupationally specific training.

- Where need and fiscal accountability can be documented, DOL should encourage SDAs to pay performance contractors "on account" with cash advances in anticipation of performance. Sums due upon completion of performance would be reduced by all advances, and performance bonds might also be required.

- DOL should expeditiously issue clear audit guidelines in order to provide guidance to states and SDAs about how local decisions will be reviewed and how liability for administrative overexpenditures and misclassifications will be enforced and assessed.

FOR STATE JOB TRAINING COUNCILS (SJTC) AND PICs:

- The forward-funding provisions of JTPA should be fully exploited. RFPs for new program years should be issued 4-6 months prior to start dates and contracts should award funds for a two-year period.

- Performance contracts for youth should strike a balance between placement objectives and other positive outcomes such as increased employment competencies and educational attainment.

- Federal and state minimum wage levels should be the benchmark wage objectives for youth programs. Where higher wage placements are desired, it should be accomplished via incentive provisions in contracts.

- Performance-based youth programs should be structured with incremental objectives such as enrollment, completion of training, educational attainment, placement, and retention and should recognize the importance of granting sufficient time to each step in the training process.

- When PICs intend to directly provide services, they should avoid issuing performance contracts for similar services unless adequate disclosure and contingency provisions are included.

- In order to encourage serving youth who are most in need, performance contracts should be weighed toward enrollment, emphasize competency attainment rather than placement, and provide payment incentives for enrolling particularly high-risk trainees such as handicapped persons, offenders, etc.

- To overcome problems created by the elimination of participant stipends,[8] PICs should encourage programs that emphasize client motivation and support services.

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[8] See, Program Design Options for Non-Stipended Programs, by Nancy Remine Trego, National Commission for Employment Policy, RR-84-02, Washington, D.C., 1984.

- PICs should encourage the use of unit-priced contracts to avoid the constraints of limited administrative overhead.

- Where unit-priced contracting is not used, the full 15 percent overhead should be passed through to service providers. If necessary, DOL and Congress should make special provision for separate classification of state and SDA administrative costs to assure sufficient funds are available for operators.

- In reviewing proposals, PICs should grant preferential consideration to CBOs offering to provide services and to joint ventures proposed by CBO's and profit-making companies.

FOR CONGRESS:

- Congress should amend JTPA to mandate CBO representation of the State Job Training Council and Private Industry Council.

- Oversight hearings should investigate the potential adverse impact of the JTPA provision permitting designation of single administrative agencies. Should the provision remain in the Act, the extent to which such agencies act as service providers should be limited.

- The youth set-aside, as currently required by JTPA, should be maintained as a mandate that 40 percent of all expenditures be for youth and should not be changed to require merely that 40 percent of the participants be youth.

- Congress and the nation's major charitable foundations should consider the creation of a Nonprofit-Credit Corporation that could issue low-interest loans to nonprofit organizations as well as to offer guarantees to other financial institutions issuing such loans.

## CONCLUSION

The advent of the Job Training Partnership Act has not been favorable to community-based organizations serving unemployed young people.

The overall decline in the amount of money available for employment training certainly is one reason for the reduction in services, but it is not the sole reason. The transition to the new Act itself is also part of the problem. It would be too easy, however, to conclude the Act is ill-designed or the new structure inappropriate. None of the information in the NYEC survey or other recent studies seems to indicate inherent problems in the design of JTPA. Quite to the contrary, there is much to be hopeful about.

Why, then, are CBOs not faring well? The problem is one of direction, interpretation, and education, and it lies chiefly with the Department of Labor's Employment Training Administration (ETA). ETA, by its own admission, has decided to play as small a role as possible in directing how the states will implement the provisions of JTPA. The regulations are sparse and chiefly parrot the Act itself. Technical assistance both directly and through national contractors has been radically reduced, and both the numbers and morale of ETA staff have been decimated by past and pending layoffs.

ETA's posture notwithstanding, the states need and want additional direction. JTPA has resulted in new staff and PIC members at both the state and local level. They are unencumbered by the mistakes of the past, but they also do not benefit

from valuable lessons that were learned. Without leadership in the form of direction and policy interpretation at the federal level, we will end up with more than 50 different interpretations of how JTPA should result in local programs.

Congress can do much to insist that ETA not abdicate its responsibilities. Perhaps some change in the Act itself is warranted to address the limitations on administrative overhead and to place CBOs on PICs, but most problems could be solved by a more involved and sympathetic ETA.

That failing, CBO's, despite a dearth of resources, will have to educate and advocate with the State Job Training Council and each local PIC. Coalition building and cooperation with other service providers should be the order of the day. Without such advocacy, disadvantaged young people will be the last served, if they are served at all. That was not the intent of the drafters and proponents of JTPA, but like so many well-intentioned laws of the past, without the grassroots activities of CBOs the law will fall short of its most important goal.

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